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Report Highlights:

Broiler numbers in 2007 are forecast to grow 5 percent above the 2006 population level and are expected to produce 721,000 metric tons of broiler meat. Although consumer confidence has returned to normal, Avian Influenza (AI) is still hindering poultry sector growth.

Includes PSD Changes: Yes
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Executive Summary

Indonesian broiler meat consumption is only around 3.1 kg per capita per year and still well below many of Indonesia's neighbors. Despite the dependency on the imported raw material for feed industry such as corn, and soybean meal as well as breeding stock, the poultry industry has significant potential for further growth.

AI control is still uncertain. Lack of focus and coordination among government parties, inadequate funding, lack of trained avian disease specialists, poor laboratory support and question of vaccines availability and efficacy are major problems. In addition, lack of public awareness inhibits the progress of AI control.

Beside the endemic AI problem, continued slow growth in consumer purchasing power, deficiencies in cold storage, distribution, and processing must still be overcome for the sector to achieve a path of continued steady growth.

Production

Overall broiler population in 2006 is estimated to be stagnant and will be the same as 2005 at around 840 million head, but broiler meat production will be higher due to a change of consumer preference to a bird with average live weight of 1.4 kg. For 2007, with expectations that the AI problem does not deteriorate further, feed input prices remain stable, and there is no additional government regulation that burdens real sector growth, the broiler population is forecast to increase 5 percent or 721,000 metric tons of broiler meat (broilers account for around 67 percent of total poultry population). An estimated 73 percent of the broiler population is in Java, 15 percent in Sumatra, 7 percent in Kalimantan and the rest is in other islands.

The Government campaign through media and other events to encourage safe preparation and consumption of chicken and egg products may have helped to avoid a further decline in poultry consumption since the first human death announcement related to AI in July 2005. Nevertheless, misleading coverage in the local press occasionally appears responsible for periodic declines in consumer confidence and temporary shocks to demand.

The upstream poultry industry, especially broilers and layers, has developed since end of 1970's, but down stream industry has not developed yet. Around eighty percent of the poultry population, live or carcass, are sold in traditional wet markets as most Indonesian consumers still prefer freshly slaughtered chicken to frozen. Another twenty percent is produced by integrated slaughter houses (19 total in country) and supply products to the food manufacturers and food service industries (includes supermarkets). However, the hygiene, safety and the halalness of the poultry products produced by "traditional" slaughter in "unlicensed or inspected backyard" operations is difficult to monitor.

Day-Old-Chicks (DOC) for broiler production in 2006 are forecast at approximately 17 million head/week or about 880 million per year and is expected to reach around 925 million in 2007 (18 million/week), below capacity of about 26 million weekly. Four fully integrated, five semi-integrated and sixty-four non-integrated breeder farms account for the chick production in the country. The sector still relies on importation of breeding stock for broilers and layers from other countries (US, Holland, and Germany). Arbor Acres, Lohman IR, Cobb (majority in 2006), Hubbard, Avian, Ross, and Hybro are the main breeds used for broilers; Lohmann, Hyline, Isa Brown and Hisex predominate for layers.

Feed production for the poultry industry in 2006 is forecast at 6.1 million tons or around 55 percent of the 11 million ton feed mill capacity from 26 companies (19 of them are the main players). Feed accounts for sixty to sixty-five percent of poultry production costs, and a high percentage of feed ingredients are imported, including corn, soybean meal and other protein sources.

With relatively low per capita broiler consumption and an increasing population, potential for further growth exists. However, the endemic AI problem, continued purchasing power issues, deficiencies in cold storage, distribution, and processing are constraints to realizing increased growth in the intermediate term.

AI Situation

AI is now endemic in Indonesia. Since first hitting the country in late 2003, cases have been reported in twenty-nine of Indonesia's thirty-three provinces. Cases are reported in virtually all components of the industry, from integrated firms to backyard native chickens, ducks, quail, layers. The AI problem is very complicated and it has been very difficult to handle properly amid the complex environment. The challenges hindering effective control of the disease include: lack of consistent reporting, lax implementation of animal movement controls and other bio security measures, unregulated live bird markets (included pet bird), inadequate resources to conduct mass culling and purchase vaccines, and the prevalence of backyard chickens among other avian species. These conditions are likely to continue unabated through 2007, limiting potential for faster growth in output.

Believing that a complete "stamping out" (i.e., culling) policy would not be economically viable, the Ministry of Agriculture has opted for culling only infected poultry, with mass vaccination and bio-security as the main front-line control measures. Reportedly this policy has been effective for larger companies with the capacity to purchase vaccines (especially for layer and breeding farms and 30 percent of the broiler farms) and the sophistication to implement strict bio-security measures, but these measures have not been fully implemented among smaller producers, and remain quite inconsistent and very difficult to implement at the village level among backyard poultry. Recently (June 7, 2006), GOI only approved LPAI virus (low pathogenic AI) as a vaccine strain. Although the first AI outbreak was in August 2003, new manuals containing standard procedures on surveillance, vaccination, culls and restocking for the poultry industry were only published in June 2006.

Backyard poultry is an income generating activity for people in urban and rural areas. Successful culling of infected poultry within a one-kilometer radius of identified infected poultry is very much dependent on the compensation offered by the government. To date, compensation, when offered, has been viewed as inadequate. Consequently, people hesitate to report poultry disease outbreaks promptly.

Indonesia is currently the country with the highest number of human deaths from AI. Although human fatalities related to AI have reached 47 as of 23 August 23 2006, the awareness and knowledge of the people remains very low. Much of the population considers dengue and typhoid fevers to be the more serious threats to human health.

Consumption

Following fluctuating demand associated with the report of human AI deaths since July 2005, broiler meat consumption is forecast to increase 5 percent in 2007. Consumer confidence in chicken has come back, but weakened buying power since the increase of fuel prices in October 2005 have hampered the growth of the poultry industry. Nevertheless, anecdotal

evidence indicates that there has been an increase in the number of domestic restaurants and warungs (small informal restaurants) that serve fried or barbequed chicken in certain urban areas.

For 2006, broiler meat consumption is estimated at 688,000 tons, or 3.1 kg/capita/year (projected 222 million population at 2006), which is still well below many of Indonesia's neighbors. Lately, consumers appear to prefer birds in two live weight classes: under 1.2 kg and more than 1.6 kg (average 1.4 kg).

Development in the broiler industry has been greatly influenced, not only by the growth of the population and production, but also by the role of the downstream industry, which makes broiler products more affordable for consumers (such as nuggets, sausages, etc). These kinds of product are produced not only by integrated companies but also medium-sized firms in bulk for retail sale in supermarkets.

Trade

The ban on imported chicken parts implemented in September 2000 continues. As a result, poultry meat imports from the U.S. have dropped sharply. During 2005, imported poultry products (HS 020711000/ fowls of the species *Gallus domesticus*- not cut in pieces, fresh or chilled and 020712000/ fowls of the species *Gallus domesticus*-not cut in pieces, frozen) are reported to be valued at US \$1.3 million with 79 percent of this originating from Singapore. Poultry products under HS code 020713000/ fowls of the species *Gallus domesticus*-cuts and offal, fresh or chilled and 020714000/ fowls of the species *Gallus domesticus*- cuts and offal, frozen, valued at US\$ 2.2 million were imported in 2005, 98 percent originating from Singapore (BPS Indonesian Statistics Bureau). Turkey and ducks are the potential imported poultry from US as well as processed poultry-based products. Very small amounts of poultry product exports to Japan declined to zero because of a Japanese ban due to AI.

Policy

Despite efforts by the U.S. Embassy in Jakarta to seek a resolution to the GOI (Government of Indonesia) ban on U.S. chicken leg quarters, the ban on poultry part imports (implemented in September 2000) remains in effect. While concern over "Halal" certification as well as the "overall review" were used as justification for the barrier, the GOI has openly stated that the ban is a means to protect domestic producers.

GOI policy to control AI includes the provision of compensation depopulation in the amount of Rp. 10,000 per bird and depopulation supposedly is to be implemented at one-kilometer radius plus vaccination of poultry within a radius of 3 kilometers from locations where infected poultry is found.

Investment

Although Indonesia is still faced with the AI problem, a few integrators/ poultry businesses have expanded their feed meal production and breeding farm investment in anticipation of future growth in poultry consumption. Local analysts estimate that the Indonesian feed milling capacity is in the range of 11-12 million ton, with capacity utilization at about 60 percent annually.

Additional information

Please visit the following website to find any related information in " Bahasa Indonesia":

<http://www.poultryindonesia.com>; <http://www.trobos.com>; <http://www.efeedgrain.com>;
<http://www.pinsar.com>, <http://www.deptan.go.id>.

Table 1. Production, Supply and Demand: Poultry, Meat, Broiler

PSD Table

Country Indonesia

Commodity Poultry, Meat, Broiler

	(1000 MT)(MIL HEAD)					
	2005 USDA Official [Old]	Revised Post Estimate [New]	2006 USDA Official [Old]	Estimate Post Estimate [New]	2007 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Inventory (Reference)	105	105	110	105	0	110
Slaughter (Reference)	757	757	795	756	0	792
Beginning Stocks	0	0	0	0	0	0
Production	640	640	672	688	0	721
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	640	640	672	688	0	721
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	640	640	672	688	0	721
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	640	640	672	688	0	721
TOTAL Use	640	640	672	688	0	721
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	640	640	672	688	0	721
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Reference

Inventory: population divided by 8 (the number of slaughter cycle per year)

Slaughter: 95% of population (5% mortality, etc)

Production: 65% of slaughter (head to weight/carcass) x average live bird weight (1.4 kg)

Table 2. Import Trade Matrix for Poultry, Meat, Broiler

Import Trade Matrix			
Country Indonesia			
Commodity Poultry, Meat, Broiler			
Time Period: 2005 Jan-Dec; 2006 Jan - Apr		Units: Metric Ton	
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Singapore	3,465	Swazilan	139
		Sweden	43
Total for Others	3,465		182
Others not Listed	316		25
Grand Total	3,781		207

Table 3. Price for Poultry, Meat, Broiler

Prices Table			
Country Indonesia			
Commodity Poultry, Meat, Broiler			
Prices in	IDR	per uom	kilogram
Year	2005	2006	% Change
Jan	13,150	13,275	1%
Feb	12,675	13,350	5%
Mar	12,325	13,475	9%
Apr	11,700	13,500	15%
May	12,125	13,500	11%
Jun	13,288	13,600	2%
Jul	13,800	13,925	1%
Aug	13,750		-100%
Sep	14,575		-100%
Oct	14,200		-100%
Nov	14,667		-100%
Dec	13,850		-100%
Exchange Rate	9,100	Local Currency/US \$	
Date of Quote	8/25/2006	MM/DD/YYYY	

Table 4. Average Retail Prices of Beef and Poultry Meat 2005 & 2006 (at the Jakarta Markets)

Month	Beef (local, standard quality) (Rp./kg)		Poultry Meat (broiler) (Rp./kg)	
	2005	2006	2005	2006
January	43,525	49,400	132,150	13,275
February	43,675	50,775	12,675	13,350
March	44,900	49,900	12,325	13,475
April	44,700	50,600	11,700	13,500
May	44,375	49,250	12,125	13,500
June	46,300	48,267	13,288	13,600
July	45,550	48,350	13,800	13,925
August	46,300		13,750	
September	46,400		14,575	
October	46,800		14,200	
November	53,467		14,667	
December	51,300		13,850	

Source: Center for Market Information (PIP), the Ministry of Industry & Trade

Table 5. Average Farm Gate Prices of Live Broiler Meat 2005 and 2006 in Indonesia

Month	2005 (Rp./kg)	2006 (Rp./kg)
January	8,820	7,827
February	8,260	8,008
March	7,016	7,450
April	7,062	7,396
May	8,278	8,611
June	8,335	8,551
July	8,130	9,695
August	7,373	8,640
September	7,866	
October	7,187	
November	8,034	
December	7,931	

Source: Market Information Center for poultry products (PINSAR), processed by FAS Jakarta

Table 6. Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	9,149	9,235	9,518	9,682	9,467	9,705	9,819	10,240	10,310	10,090	10,035	9,830
2006	9,395	9,230	9,075	8,785	9,220	9,300	9,070	9,060				

Source: Indonesian Statistic Bureau (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper

Table 7. Poultry Meat Tariffs

Harmonize System Code	Description of Goods (HS Number)	2006 Import Duty (%)	VAT (%)
02.07	Meat and edible offal of the poultry of heading No. 01.05, fresh, chilled or frozen		
	-Of fowls of the species Gallus domesticus		
0207.11.000	Not cut in pieces, fresh or chilled	5	10
0207.12.000	Not cut in pieces, frozen	5	10
0207.13.000	Cuts and offal, fresh or chilled	5	10
0207.14.000	Cuts and offal, frozen		
0207.14.1000	Wings	5	10
0207.14.2000	Thighs	25	10
0207.14.3000	Livers	5	10
0207.14.9000	Others	5	10
0207.24.000	Not cut in pieces, fresh or chilled	5	10
0207.25.000	Not cut in pieces, frozen	5	10
0207.26.000	Cuts and offal, fresh or chilled	5	10
0207.27.000	Cuts and offal, frozen	5	10
	-Of ducks, geese or guinea fowls		
0207.32.000	Not cut in pieces, fresh or chilled	5	10
0207.33.000	Not cut in pieces, frozen	5	10
0207.34.000	Fatty livers, fresh or chilled	5	10
0207.35.000	Other, fresh or chilled	5	10
0207.36.000	Other, frozen	5	10
1601.00.000	Sausages and Similar Products, of meat, meat offal or blood; food preparations based on these products	5	10
1602.32.000	Meat, meat offal or blood of fowls prepared or prepared	5	10

Source: 2006 Government of Indonesia Tariff Book

Table 8. Strategic Indicators

ANIMAL INVENTORIES-Beginning of Year (in head)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Report Year: 2005	2004	2005	2006	2007
Poultry (including ducks)	1,181,950,196	1,283,701,504	1,347,322,899	1,400,000,000
Hogs	5,980,148	6,267,373	658,072	670,000
Dairy Cattle	364,062	373,970	388,929	400,000
Goats	12,780,961	13,182,064	13,445,705	14,100,000
Beef Cattle & Buffalo	12,936,187	13,107,695	13,763,080	14,000,000
MEAT PRODUCTION (in metric tons)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2005	2004	2005	2006	2007
Poultry				
Poultry Meat (including ducks)	1,213,105	1,283,163	1,347,321	1,415,000
Eggs (including ducks)	1,107,325	1,148,405	1,182,857	1,240,000
Pork	194,683	198,145	202,108	206,000
Beef	447,573	463,819	489,329	500,000
Goat	57,132	58,857	60,623	63,000
COMPOUND FEED SECTOR (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2005	2004	2005	2006	2007
Compound Feed Capacity	10,000	11,000	11,000	11,000
Total Compound Feed Produced	6,549	6,839	7,348	7,830
----- by integrated producers	4,912	5,129	5,511	5,873
----- by commercial producers	1,637	1,710	1,837	1,958

PROTEIN - USAGE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Marketing Year: 2005/2006	2004/2005	2005/2006	2006/2007	2007/2008
Total Protein Meal (feed waste domestic consumption)	1,914	1,971	2,101	2,293
Soy Bean Meal (feed waste domestic consumption)	1,571	1,598	1,710	1,882
Other Protein Meal:				
Palm Kernel Meal (feed waste domestic consumption)	267	290	302	316
Rape Meal (feed waste domestic consumption)	5	5	5	5
Fish Meal (feed waste domestic consumption)	n.a	n.a	n.a	n.a
Sunflower Meal	0	0	0	0
Cottonseed Meal	0	0	0	0
Feather Meal	0	0	0	0
Meat Meal	0	0	0	0
Palm Oil (feed waste domestic consumption)	71	78	84	90

TRADE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2005	2004	2005	2006	2007
Corn				
Imports:	722	600	1,000	800
Exports:	30	39	50	60
Soy Beans				
Imports:	1,160	1,266	1,450	1,600
Exports:	0	0	0	0
Soy Bean Meal				
Imports:	1,504	1,617	1,638	1,740
Exports:	0	0	0	0
Fish Meal				
Imports:	69	72	70	70
Exports:	4	2	2	2
Sunflower Meal				
Imports:	0	0	0	0
Exports:	0	0	0	0

Rape Meal				
Imports:	79	60	65	65
Exports:	0	0	0	0
Cottonseed Meal				
Imports:	3	3	3	3
Exports:	8	0	2	2
Meat Bone Meal & Hydrolyzed Feather Meal				
Imports:	409	337	350	350
Exports:	11	15	10	10
Meat Meal				
Imports:	2	1	1	1
Exports:	0	0	0	0
Peanut Meal				
Imports:	68	25	25	25
Exports:	0	0	0	0
Palm Oil				
Imports:	4	9	5	5
Exports:	8,662	9,539	10,042	10,574